[Translation]

Misappropriation of Funds by Banks in Rajasthan

1256. PROF. RASA SINGH RAWAT : Will the Minister of FINANCE be pleased to state :

(a) the number of cases recorded in respect of irregularities, embezzlement or misappropriation of funds in nationalised/private sector banks in Rajasthan during the last three years;

(b) the number of cases probed alongwith the number of cases found correct and those which are still pending;

(c) the action taken against the persons found involved in these cases;

(d) the steps taken to put a check on the occurrences of such cases in future; and

(e) the steps taken by the Government to make the bank services more effective in Rajasthan?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM) : (a) to (e). The present data reporting system in RBI does not generate information in the manner sought in the Question. However, the information relating to total number of frauds detected in public sector and private sector banks and the amount involved therein during the years 1993, 1994 and 1995 is as under :

(Rs. in crores)

Year	Public Sector Banks		Private Sector Banks	
	No. of frauds	Amount involved	No. of frauds	Amount involved
1993	2213	320.32	223	8.61
1994	2266	200.08 +U.Sh.984400	215	4.54
1995	1890	115.51	182	14.51

The information readily available relating to action taken against the delinquent employees of public sector banks for their involvement in frauds for the years 1993, 1994 and 1995 is given below :

		1993	1994	1995
(i)	No. of employees convicted.	57	50	33
(ii)	No. of employees awarded major/minor penalties	874	1248	1160
(iii)	No. of employees (out of (ii) above) dismissed/discharged/ removed.	312	360	301

The public Sector banks at the instance of Government and RBI have taken several steps from time to time for checking corruption and prevention of frauds. These steps include issue of comprehensive guidelines by RBI for strengthening the control mechanism in banks, review of fraud cases on a continual basis by RBI, advising the banks of modus-operandi in ingenious cases alongwith required safeguards to prevent their recurrence, proper training of operational personnel and investigations and scrutiny into reported cases of major frauds as well as snap inspections covering systems and procedures and control arrangements in fraud prone areas by the RBI, etc.

RBI had appointed in 1990 a "Committee on Customer Service in Banks" under the Chairmanship of Shri M.N. Goiporia. The Committee made a number of recommendations for improving customer service in banks. Most of these reccommendations have been implemented by banks. RBI have formulated the "Banking Ombudsman Scheme, 1995" which seeks to provide for expeditious and inexpensive resolution of complaints against banks.

[English]

Interest Rates on Agricultural Credit

1257. SHRI MADHAVRAO SCINDIA : Will the Minister of FINANCE be pleased to state :

(a) whether the Government propose to deregulate the interest rates for agricultural credit to help the agricultural sector;

(b) whether low disbursement of credit to the farm sector during the past few years has been considered to be the main reason for the sharp deceleration in agricultural production; and

(c) the details of assessment about the gap between demand and supply of credit to agricultural sector during 1993-94, 1994-95, 1995-96 and the current year so far, and how it was reflected for decline in agricultural production during these years?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM) : (a) to (c). As per extent directions of Reserve Bank of India (RBI), the rate of interest chargeable by commercial banks in respect of advances (except export credit and some other advances) are based on the size of advance/limit. The present rate of interest are as follows :

	Size of credit limit	Rate of interest (%)
(i)	Upto and inclusive of Rs. 25,000/-	12.0
(ii)	Over Rs. 25,000/- and upto Rs. 2 lakhs	13.5
(iii)	Over Rs. 2 lakhs	Free

Regional Rural Banks are free to determine their lending rates. Cooperative Banks are also free to determine their lending rates subject to a minimum of 12.0%.

The level of agricultural production depends, inter-alia, on the climatic conditions, preferred cropping pattern, expectation of prices, and use of inputs including credit. Variations in agricultural output cannot, therefore, be solely explained in terms of variations in the use of credit.

The resources of the banking system for lending to agriculture, appropriately augmented by refinance from National Bank for Agriculture and Rural Development (NABARD), are considered adequate to meet the effective demand of credit from the agricultural sector.

NABARD has reported that the ground level credit flow to agricultural sector has shown a steady growth. From the level of Rs. 11,202 crores in 1991-92, the ground level credit flow under agricultural sector has reached Rs. 16,949 crores at the end of 1993-94. The estimated ground level credit flow to agricultural sector during 1994-95 and 1995-96 is Rs. 21,424 crores and Rs. 24,849 crores respectively (Revised Estimates). The ground level credit for agricultural sector during 1996-97 is projected to be Rs. 28,817 crores.

In order to give a greater focus to agricultural lending by public sector banks (PSBs), they have been asked to draw up Special Agricultural Credit Plans (SACPs) by the RBI. The disbursements of public sector banks under SACPs were Rs. 8,255 crores and Rs. 10,172 crores respectively for the years 1994-95 and 1995-96.

While reviewing the performance of banks under 1995-96, the Goverment urged the Chief Executives of PSBs to show a growth of a minimum of 25% in their disbursements to agriculture under SACPs 1996-97 over those of 1995-96.

Setting up of Private Banks

1258. SHRI G. VENKAT SWAMY :
SHRI SHANTILAL PARSOTAMDAS PATEL :

Will the Minister of FINANCE be pleased to state :

(a) the criteria adopted for grant of the licence for the setting up of Private Banks and the details of such licences issued during each of the last three years and in the current year so far, State-wise;

(b) whether the Government have also issued licences to some private banks through these were figured in the list of defaulters; and

(c) if so, the details thereof and the reasons therefor?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM) : (a) Reserve Bank of India (RBI) issued guidelines on entry of private sector banks in January 1993. While permitting the entry of new private banks as per guidelines on merit, the following considerations are required to be kept in mind : (i) they subserve the underlying goals of financial sector refoms which are to provide competitive, efficient and low cost financial intermediation services for the society at large; (ii) they are financially viable; (iii) they should result in upgradation of technology in the banking sector; (iv) they avoid the shortcomings such as unfair pre-emption and concentration of credit monopolisation of economic power, cross holdings with industrial groups, etc. which beset the private sector banks prior to nationalisation; (v) freedom of entry in the banking sector may have to be managed carefully and judiciously.

After the issuance of guidelines in 1993, ten private banks have been issued lincences. State-wise and year-wise details are as under :

	Name of the Bank	Name of the State	Date of issue
	1993-94		
1.	UTI Bank Ltd.	Gujarat	28.2.1994
	1994-95		
2.	Indusind Bank Ltd.	Maharashtra	2.4.1994
3.	ICICI Bank Ltd.	Maharashtra	17.5.1994
4.	Global Trust Bank	Andhra Pradesh	6.9.1994
5.	HDFC Bank Ltd.	Maharashtra	5.1.1995
6.	Centurion Bank Ltd.	Goa	13.1.1995
	1995-96		
7.	Bank of Punjab Ltd.	Chandigarh	7.4.1995
8.	Times Bank Ltd.	Haryana	8.6.1995
9.	Development Credit Bank Ltd.	Maharashtra	1.6.1996
10.	IDBI Bank Ltd.	Madhya Pradesh	13.11.1995